



LUXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights
For the three and nine months ended
May 31, 2023 and 2022

Dated: July 31, 2023

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and nine months ended May 31, 2023 and 2022

This Interim MD&A – Quarterly Highlights (“Interim MD&A”) of the financial condition and results of operation of Luxxfolio Holdings Inc. (the “Company”) is for the three and nine months ended May 31, 2023 and 2022. This Interim MD&A is dated July 31, 2023 and should be read in conjunction with the Company’s interim condensed consolidated financial statements and the accompanying notes for the three and nine months ended May 31, 2023 and 2022, which are available on SEDAR at www.sedar.com. Together with the interim condensed consolidated financial statements and the related notes, this Interim MD&A has been prepared by the management of the Company in accordance with the requirements of National Instrument 51-102 and the International Financial Reporting Standards (“IFRS”) as at the date of this Interim MD&A. All dollar amounts are expressed in US dollars (“USD”) unless otherwise stated.

Unless otherwise indicated, the Company’s significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its audited consolidated financial statements for the years ended August 31, 2022 and 2021, remain unchanged. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented in the Interim MD&A are not necessarily indicative of the results that may be expected for any future period.

FORWARD-LOOKING STATEMENTS

This Interim MD&A contains certain “forward-looking statements” and “forward looking information” (collectively, “forward looking information”) within the meaning of Canadian securities laws. This forward-looking information relates to future events or future performance and reflect management’s expectations regarding Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target” or the negative of these terms or other comparable terminology.

Forward-looking information in this Interim MD&A includes, but is not limited to:

- Raising capital, and the use of funds;
- Business opportunities for the Company; and
- Future sales and cash flows of the Company.

The risk factors described in this Interim MD&A are not necessarily all the important factors that could cause actual results to differ materially from those expressed in the Company’s forward-looking information.

In addition, any forward-looking information represents the Company’s estimates only as of the date of this Interim MD&A and should not be relied upon as representing the Company’s estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking information in this Interim MD&A include: (a) execution of the Company’s existing business plans and growth strategy which may change due to changes in the market place, the views of management, or if new information arises which makes it prudent to change such business plans and growth strategy; and (b) the accuracy of current research results and the interpretation thereof, since new information or new interpretation of existing information may result in changes in the Company’s expectations. Forward looking information is based on several assumptions that may prove to be incorrect including but not limited to assumptions about:

- ability to obtain customer contracts and establish relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;

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- the ability to acquire a significant market position within a target market;
- currency, exchange, and interest rates;
- pricing and volatility risks of Cryptocurrency;
- the availability of financing opportunities;
- economic conditions;
- the retention of management, and avoidance of conflicts of interest; and
- the progress and success of product marketing.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company.

Readers should not place undue reliance on the Company's forward-looking information, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking information will materialize. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking information in this Interim MD&A, see "Bitcoin and Cybersecurity Risks" and "Other Risks and Uncertainties".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in sections titled "Bitcoin and Cybersecurity Risks" and "Other Risks and Uncertainties".

DESCRIPTION OF BUSINESS

The Company, based in Vancouver British Columbia was incorporated under the Business Corporations Act (British Columbia) on October 10, 2017. The Company's head and registered office is located at 417-1080 Mainland St., Vancouver, British Columbia, Canada. The Company's corporate website address is www.luxxfolio.com.

The Company is listed on the CSE under the trading symbol "LUXX" as well as on the OTCQB under "LUXFF", the Frankfurt Stock Exchange under the symbol "LUH", and on the Börse Berlin under the symbol "LUH".

The Company's business was that of its wholly owned subsidiaries, Luxxfolio Network Inc. ("LNI") and WestBlock Capital Inc. ("WestBlock"), which share the same head and registered office as the Company. Both LNI and WestBlock became non-operating subsidiaries on November 2, 2022, following the closure of WestBlock's Bitcoin mining facility in Shiprock, New Mexico (the "New Mexico Facility"). Furthermore, the power supply contract with the Navajo Tribal Power Authority ("NTUA") expired on December 31, 2022 and has not been renewed as newly quoted power rates significantly increase the negative mining economics at the New Mexico Facility.

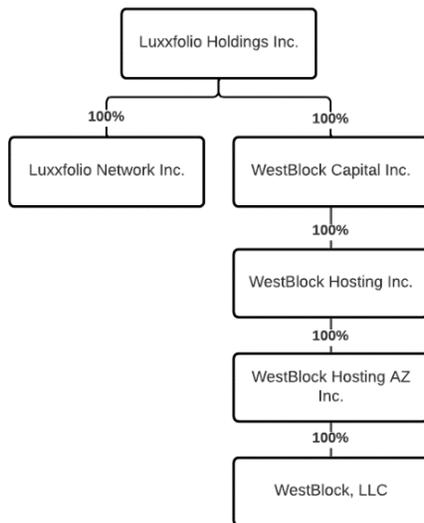
The Company is currently seeking opportunities to restructure and refinance its operations.

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The intercorporate relationships are shown in the organizational chart below.



Following the decision to close mining operations, the Company’s principal lender CHP Agent Services Inc (“CHP”), issued a Notice of Default and demanded immediate repayment of the \$1,155,000 CAD debt it was owed under its Senior Debt Facility, citing covenants for deteriorating industry economic conditions and collateral valuation deficiencies. Subsequently, the Company entered a debt settlement agreement with CHP for the settlement of all outstanding debts and other obligations (see “Debt Settlements”).

As a consequence of these actions, the Company has eliminated all secured debt obligations, but has lost access to key pieces of equipment necessary for operation of the mining facility. Accordingly, the Company will not be returning to Bitcoin mining at the New Mexico Facility.

OVERALL PERFORMANCE

The Company earned gross revenues of \$793,008 during the nine months ended May 31, 2023 from its Bitcoin mining and hosting operation owing to the suspension of operations at the New Mexico Facility.

As the date of this Interim MD&A, the Company has:

- Suspended operations at the New Mexico mining facility effective November 2, 2022;
- Concluded debt settlement arrangements with both of the Company’s equipment lenders to exchange mining equipment assets in full settlement of all related debts;
- Actively sought opportunities to restructure and/or refinance the Luxxfolio business which is ongoing;
- Reduced operating expenses to a minimum to conserve available cash resources;
- Reduced staffing levels to the minimum necessary to maintain ongoing business operations; and

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Monthly Performance

Month	Hosting	Mining	
	Revenues	BTC	Revenues
Sep 2022	\$141,000	5.21	\$104,000
Oct 2022	\$103,000	1.04	\$21,000
Nov 2022	\$418,000	0.29	\$6,000
Dec 2022	-	-	-
Jan 2023	-	-	-
Feb 2023	-	-	-
Mar 2023	-	-	-
Apr 2023	-	-	-
May 2023	-	-	-

Security of Digital Assets

Security of the Digital Assets is critical to the protection of Company assets. To this end, the Company engaged Anchorage Digital Bank NA as custodian to hold in multiple vaults the various Bitcoin and Ethereum pools of the Company. Anchorage is a US federally regulated digital asset bank with SOC I compliance registration.

Immersion Cooling System

To optimize the efficiency of the Bitcoin miners, the Company purchased immersion technology from CES Intelliflex (“CES”) and paid a deposit of \$1,509,905 towards a total purchase price of \$2,627,240 in December 2021. The immersion equipment was delivered to the New Mexico Facility in July 2022 and was utilized in a third-party miner hosting agreement which commenced that same month. With the suspension of operations at the New Mexico Facility, this hosting agreement was terminated. On January 17, 2023, the Company’s interest in the immersion equipment was transferred to CHP under the debt settlement arrangement.

Debt Settlements

During the fourth quarter of fiscal 2022, the Company, facing the uncertainty and continuing negative effects of the Bitcoin and cryptocurrency market weakness, took decisive action to reduce the debt burden. This was accomplished through multiple transactions involving both the sale of mining equipment and agreements with lenders to settle outstanding liabilities.

On June 30, 2022, the company repaid \$415,035 CAD to CHP, a related party at that time controlled by a director of the Company (See “Related Party Transactions”).

On July 15, 2022, the Company announced the sale of 970 Bitmain miners and a related immersion mining hosting agreement with the purchaser. Proceeds from the sale amounted to \$3.5 million, of which \$3.2 million was committed to repaying debt obligations with NYDIG ABL, LLC (“NYDIG”) related to the equipment sold.

A further debt settlement with NYDIG was announced on August 10, 2022 where the Company agreed to a debt settlement arrangement in which the Company transferred approximately 1930 miners to NYDIG in exchange for full and final settlement of all debt obligations outstanding between the two parties, subject to delivery and inspection by NYDIG. The Company received NYDIG’s confirmation and closure of this transaction on October 28, 2022.

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On October 28, 2022, the Company repaid, in advance, \$1,100,000 CAD of the Senior Debt Facility with CHP, a related party controlled by a director of the Company, through liquidation of Bitcoin held as collateral.

A notice of default was received by the Company on December 8, 2022 from CHP citing deterioration in WestBlock's business prospects as well as collateral valuation deficiencies and demanded immediate repayment of the outstanding balance of the Senior Debt Facility amounting to \$1,155,000 CAD. The Company settled this debt, on behalf of WestBlock and certain of its subsidiaries, on January 17, 2023 through a payment of \$99,546 and the transfer of WestBlock's rights, interest and title to the immersion cooling system, Bitcoin miners and certain related mining equipment. Upon payment and transfer, all remaining obligations under the loan facility, including guarantees and general security agreements, were terminated.

The Company's focus and objectives over the next six months involve refinancing and/or restructuring the Company.

DISCUSSION OF OPERATIONS***WestBlock Capital Inc.***

On June 14, 2021, the Company completed the acquisition of WestBlock, whereby WestBlock became a wholly owned subsidiary of the Company. WestBlock, through WestBlock LLC, operated a digital asset mining facility at its New Mexico location, at which it managed both Company owned Bitcoin miners as well as third party servers until operations were suspended on November 2, 2022.

The New Mexico Facility was developed jointly by WestBlock and the NTUA through a partnership with interests of 49% and 51% respectively. Prior to the closing of the WestBlock acquisition, the 51% NTUA interest was acquired by WestBlock, giving it a 100% ownership interest in the facility. As a result of the acquisition, Luxxfolio, through WestBlock, assumed a debt obligation amounting to \$869,000 in connection to this purchase. At the date of this Interim MD&A, WestBlock owed NTUA \$241,380 in connection with this debt as well as outstanding power charges. Due to the non-payment of these liabilities, the New Mexico facility has been secured by NTUA pending payment of outstanding debts by WestBlock. These debts are specific to WestBlock and its subsidiaries and are not guaranteed or otherwise secured by the Company.

Senior Debt Facility

On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a Senior Debt facility with CHP, a related party controlled by Kelly Klatik, a director of the Company and Dean Linden, a director of LNI and WestBlock. The facility was primarily established to finance the cash portion of the Immersion Cooling System equipment purchase announced on November 25, 2021 and consolidate other existing credit facilities (See "Debt Settlements").

The senior debt facility contained the following terms:

- Available loan proceeds established at \$3 million CAD;
- The facility term is 24 months following the closing date;
- Security provided by WestBlock and its subsidiaries consisted of a general security agreement on certain of WestBlock operations and a first charge on certain cryptocurrency mining equipment and cryptocurrency units; and
- A variable interest rate between 16% and 13% that decreases as the total collateral coverage increases in relation to the total debt outstanding.

Equity Issues

On December 7, 2021, the Company closed its previously announced public offering of units of the Company. The underwriters exercised their option to purchase 600,000 units of the overallotment option, and as a result, the Company issued a total of 13.6 million units at a price of \$0.70 CAD per unit and 350,000 additional common share purchase warrants for gross proceeds of \$9.534 million CAD. Each unit consisted of one common share and one-half warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of \$1.00 CAD until December 7, 2023.

On June 9, 2022, Luxxfolio announced a \$2.0 million CAD private placement for 12.5 million common shares at \$0.16 CAD per share and 12.5 million warrants, exercisable into common shares at \$0.21 for a period of two years.

Performance Warrants

On December 7, 2021, in connection with the closing of the public equity issue, the Financing Condition governing the exercise of the 2.5 million Performance Warrants issued at the date of the WestBlock Acquisition has been met and these warrants can now be exercised by the holders. The Performance Warrants are exercisable at \$ 0.40 CAD in the first 12 months of the closing date, and \$0.50 CAD in the second 12 months of the closing date.

Stock Option Issuance

On June 5, 2023, the Company granted 2,100,000 options to consultants of the Company in connection with the termination of their respective consulting agreements. 50% of the options vested on the date the options were granted (the “Grant Date”), and the remaining 50% will vest 12 months after the Grant Date. The stock options are exercisable for a period of five years from the date of the Grant at an exercise price of \$0.015 per common share. The stock options were granted in accordance with the terms of the Company’s stock option plan and the policies of the CSE.

On January 20, 2022, the Company granted 2,078,000 of stock options to directors, officers, employees, and consultants of the Company. The stock options are exercisable for a term of five years from the date of the grant at an exercise price of \$0.45 CAD per common share. The stock options vest over a 24-month period, at a rate of 25% after each 6-month period. A total of 1,795,500 of the 2,078,000 stock options were granted to related parties.

In accordance with the Company’s Option Plan, a total of 3,955,500 options expired and were cancelled following the resignations of certain officers and directors of the Company.

Director and Executive movements

On July 28, 2023, Geoffrey McCord CPA, CA was appointed interim Chief Executive Officer of the Company.

On June 7, 2023, Ken MacLean, director and Chief Executive Officer and Kien Tran, director and Chief Operating Officer, resigned from their positions as directors and officers of the Company.

Anthony Wong, resigned his position as Corporate Secretary on January 31, 2023. On December 7, 2022, the Company announced Geoffrey McCord, CPA, CA, Chief Financial Officer and Kien Tran, Chief Operating Officer, were appointed to the Board.

The Company announced on October 28, 2022 that Bradley Farquhar had resigned from his position as a director of the Corporation. Kelly Klatik and David Gens resigned on November 2, 2022 and Michael Byron resigned on December 2, 2022.

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ANALYSIS OF FINANCIAL PERFORMANCE*(For the three months ended)*

	May 31, 2023	May 31, 2022
Total revenues	\$ nil	\$ 2,899,225
Expenses		
Operational expenses	53,263	1,274,678
Depreciation	76,078	1,869,693
Interest expenses	3,900	495,824
Share-based payments	56,500	249,789
Realized loss (gain) on digital assets	12,461	421,670
Unrealized loss on digital assets	-	738,660
Realized loss on disposition of assets	1,505,435	-
Amortization of financing fees	-	30,902
Total expenses	1,707,637	5,081,216
Net income (loss)	\$ (1,707,637)	\$ (2,181,991)

For the three months ended May 31, 2023 vs May 31, 2022

The Company did not generate any revenue during the three months ended May 31, 2023 due to closure of the mining facility. The Company had a net loss of \$1,707,637 for the three months ended May 31, 2023 primarily due to the write-off of mining equipment at the New Mexico facility of \$1,505,435 (see “Overall Performance”).

During the three months ended May 31, 2023, the Company also incurred operating expenses of \$53,263, depreciation expenses of \$76,078, interest expense of \$3,900 and share-based payments of \$56,500. The operating expense included consulting fees of \$22,110 and general and administration expense of \$29,771.

The Company incurred a net loss of \$2,181,991 for the three months ended May 31, 2022. The Company generated revenue of \$2,746,473 from its Bitcoin and Ethereum mining operation and \$152,752 from hosting services. The Company incurred operating expenses during the period of \$1,274,678 primarily associated with loan interest of \$495,824, electricity costs paid to the NTUA related to Bitcoin mining of \$626,206, labour expense of \$269,487, and general and administration expenses of \$125,201.

During the three months ended May 31, 2022, the Company also incurred depreciation expenses of \$1,869,693 for the amortization of the Bitcoin miners and the New Mexico Facility, share-based payments of \$249,789, unrealized loss on digital assets of \$738,660 and realized loss on digital assets of \$421,670.

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(For the nine months ended)

	May 31, 2023	May 31, 2022
Total revenues	\$ 793,008	\$ 9,372,129
Expenses		
Operational expenses	912,502	4,271,405
Depreciation	411,612	4,011,751
Interest expenses	68,200	1,366,016
Share-based payments	271,395	925,547
Realized loss (gain) on digital assets	(4,042)	661,950
Unrealized loss on digital assets	-	765,346
Realized loss on disposition of assets	3,234,738	-
Debt forgiveness	(19,119)	-
Amortization of financing fees	-	88,496
Total expenses	4,875,286	12,090,511
Net income (loss)	\$ (4,082,278)	\$ (2,718,382)

For the nine months ended May 31, 2023 and May 31, 2022

The Company had a net loss of \$4,082,278 for the nine months ended May 31, 2023. The Company generated revenue of \$130,841 from its Bitcoin mining operations and \$662,167 from hosting services provided to third parties.

During the nine months ended May 31, 2023, the Company realized operating expenses of \$912,502 primarily associated with general and administration expenses of \$196,588, power costs paid to the NTUA related to Bitcoin mining of \$332,999, labour expense of \$119,822, and consulting fees of \$134,670. The Company also realized depreciation expenses of \$411,612 relating to the amortization of Bitcoin miners and the New Mexico Facility, loan interest of \$68,200, and share-based payments of \$271,395.

Also during the nine months ended May 31, 2023, the Company realized a loss on the disposition of assets of \$1,729,303 relating to the debt settlement with CHP Agent Services Inc. and the write-off of mining equipment at the New Mexico facility of \$1,505,435 (see "Overall Performance").

The Company had a net loss of \$2,718,382 for the nine months ended May 31, 2022 on revenue of \$8,913,587 from Bitcoin and Ethereum mining operations, and \$458,542 from hosting services.

Also in the corresponding nine months ended May 31, 2022, the Company realized total operating expenses of \$4,271,405 primarily associated with consulting fees of \$685,788, general and administration expenses of \$555,869, and electricity costs paid to the NTUA related to Bitcoin mining of \$1,537,422. The Company also realized depreciation expenses of \$4,011,751 relating to the amortization of the Bitcoin miners and the New Mexico Facility, loan interest of \$1,366,016, share-based payments of \$925,547, unrealized loss on digital assets of \$765,346.

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ANALYSIS OF CASH FLOWS

	For the nine months ended May 31, 2023	For the nine months ended May 31, 2022
Cash provided by (used in)		
Operating activities	\$ 656,655	\$ 2,619,350
Investing activities	-	(13,848,819)
Financing activities	(921,196)	11,107,246
Inflow (outflow) of cash	\$ (264,541)	\$ (122,223)

Operating Activities

The total cash provided by operating activities for the nine months ended May 31, 2023 amounted to \$656,655 (2022 – \$2,619,350). The cash provided by operating activities was primarily attributed to the sale of Digital Assets of \$1,187,987 (2022 - \$7,780,473).

The Company made the decision to write-off the remaining value of its assets used in Bitcoin mining at the New Mexico Facility. The net book value of the equipment written-off amounted to \$3,234,738 (2022 - \$nil). In connection with the debt settlement with CHP (see note 8), the Company lost key pieces of equipment rendering the remaining assets unusable. Any future recovery for the sale of this equipment will be recognized at that time. (see “Overall Performance”).

Investing Activities

There was no cash provided by or used in investing activities during the nine months ended May 31, 2023.

The total cash used in investing activities for the nine months ended May 31, 2022 amounted to \$13,848,819 relating to the purchase of mining equipment and cost of New Mexico site expansion of \$6,243,407 and deposits on additional Bitcoin miners and immersion cooling equipment of \$7,605,412.

Financing Activities

The total cash used in financing activities during the nine months ended May 31, 2023 amounted to \$921,196 relating to long-term debt repayment totalling \$902,077 (2022 - \$4,485,631) and debt forgiveness of \$19,119 (2022 - \$nil) (see “Debt Settlements”).

The total cash provided by financing activities for the nine months ended May 31, 2022 amounted to \$11,107,246. The cash provided by financing activities primarily comprised of proceeds from the issuance of units of the Company through public offering of \$6,824,023, proceeds from long-term debt of \$7,943,662, and exercise of share purchase warrants of \$813,222.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company realized a net loss of \$4,082,278 during the nine months ended May 31, 2023. The following is a breakdown of the material costs incurred:

- (a) General and administration expenses - \$196,588 (2022 - \$555,869), representing costs associated with regulatory filing, travels, investor relations, shipping fees, and administration of the Company;
- (b) Consulting fees - \$134,670 (2022 - \$685,788), representing monthly engagement fees, key management compensation and consulting fees paid to various of officers, directors, and consultants of the company relating to strategic planning, operations, and administration of the Company (see “Transactions with Related Party”);
- (c) Depreciation expenses - \$411,612 (2022 - \$4,011,751), being the amortization of the Bitcoin miners, the mining equipment, and the New Mexico mining facility;
- (d) Electricity expenses - \$332,999 (2022 - \$1,537,422), being the monthly electricity charges paid to the NTUA incurred in the production of Digital Assets;
- (e) Interest expenses - \$68,200 (2022 – \$1,366,016), representing the monthly interest charges on the Senior Debt Facility provided by CHP Agent Services Inc. and the NTUA note;
- (f) Labour - \$119,822 (2022 – \$643,042) – for monthly salaries paid to the management and employees of the Company and contract fees paid for the provision of part-time workers at the New Mexico facility for installation of new Bitcoin miners received and regular maintenance of the site;
- (g) Management fees - \$33,213 (2022 - \$132,240), being fees paid to Cypress Hills Partners Inc., a related party, for accounting, operational, and administrative functions;
- (h) Professional fees - \$47,753 (2022 - \$318,588), relating to costs associated with the annual financial audit, legal fees incurred relating to the public offering of units of the Company and legal expenses incurred relating to compliance and due diligence on existing and potential transactions;
- (i) Supplies and maintenance - \$22,353 (2022 - \$201,892), for expenses relating to the general maintenance of the New Mexico facilities including repair of faulty Bitcoin miners, optimizing space for cooling, and scheduled maintenance of mining equipment;
- (j) Share-based payments - \$271,395 (2022 - \$925,547) representing expenses relating to the grant of stock options recognized over a graded vesting schedule; and
- (k) Realized loss on disposition of assets - \$3,234,738 (2022 - \$nil), being the realized loss on the disposition of assets relating to the debt settlement with CHP Agent Services Inc. and the write-off on the remaining value of the Company’s assets used in Bitcoin mining at the New Mexico Facility (see “Overall Performance”).

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SEGMENT ANALYSIS

The Company had, until it was suspended on November 2, 2022, a single operating line of business, Bitcoin mining, which was conducted at its mining facilities in New Mexico, USA. Company management, administration and development functions are carried out in British Columbia. The following table segments the relevant financial results by geographic territory:

<i>For the nine months ended May 31, 2023</i>	Canada	USA	Consolidated
	Luxxfolio Holdings Inc.	Former Operating Subsidiaries	
Total revenue	\$305,698	\$487,309	\$793,007
Total expense	663,303	4,211,982	4,875,285
Total net loss	\$357,605	\$3,724,673	\$4,082,278
<i>As at May 31, 2023</i>			
Current assets	67,353	-	67,353
Non-current assets	-	-	-
Total assets	\$67,353	\$nil	\$67,353
Current liabilities	157,580	1,114,737	1,272,317
Non-current liabilities	-	91,940	91,940
Total liabilities	\$157,580	\$1,206,677	\$1,364,257

At the date of this interim MD&A, Luxxfolio Holdings Inc. has no known commitments, guarantees or contractual obligations for the debts of any of the former operating subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital to maintain its ability to continue as a going concern, with a long-term view of providing returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, cash equivalents, including Bitcoin, long-term debts, and equity comprised of issued common shares, special warrants, share purchase warrant reserves and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. Upon approval from its Board, the Company will balance its overall capital structure through issuance of securities or by undertaking other activities as deemed appropriate under the specific circumstances.

Working Capital

On May 31, 2023, the Company had a working capital deficiency of \$1,204,964 compared to the \$1,161,376 deficiency that existed on August 31, 2022. The working capital deficiency during the nine months ended May 31, 2023 is primarily attributed to decrease in cash holdings of \$264,541, decrease in accounts receivable of \$136,272, decrease in accounts payable and accrued liabilities of \$368,188, decrease in deferred income of \$310,000, and decrease in the current portion of long-term debt of \$772,699.

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Asset backed lending structures

The terms and outstanding amounts of the asset backed lending facilities provided by NYDIG as at May 31, 2023 are as follows:

	ABL I	ABL II	ABL III	ABL IV
Total debt facility	\$880,575	\$11,065,470	\$1,243,425	\$1,750,000
Amounts outstanding	\$nil	\$nil	\$nil	\$nil
Interest rate	16%	15%	16%	15%
Duration	19 months	30 months	14 months	26 months
Payment frequency	Monthly	Monthly	Monthly	Monthly

All of the debt facilities provided by NYDIG; ABL I, ABL II, ABL III, and ABL IV, were settled during the fourth quarter of 2022 and the first quarter of 2023 with all security charges terminated.

Requirement of Additional Debt and Equity Financing

There is no certainty that debt or equity financings will be available at the times and in the amounts required to fund the Company's activities. The audited financial statements do not include any adjustments that might result from these uncertainties.

No dividends have been paid by the Company to date. The Company anticipates that it will not be in a position to pay dividends for the foreseeable future, as it will retain cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after considering many factors, including the Company's financial condition and current and anticipated cash needs. The Company is not subject to any externally imposed capital requirement as at the date of this MD&A.

RELATED PARTY TRANSACTIONS

On November 2, 2022, CHP Agent Services Inc. ("CHP") ceased to be a related party following the resignation of Kelly Klatik, a director of CHP, from the Company's Board of Directors.

During the nine months ended May 31, 2023, the Company entered into the following transactions with related parties:

- a) paid management fees of \$33,213 (2022 - \$132,240) and rental fees of \$625 (2022 - \$21,533 to a company controlled by Kelly Klatik, a former director of the Company, and Dean Linden, a former director of LNI and WestBlock, for accounting and administrative functions, operational management of the Company;
- b) The following transactions are associated with the Company's consulting expenses with related party:

Related party	Relationship	Direct or indirect payment	Nine months ended May 31, 2023	Nine months ended May 31, 2022	Functions
Geoffrey McCord	Director and Officer	Direct	\$64,804	\$104,389	Key management compensation
Anthony Wong	Officer	Direct	\$2,871	\$nil	Key management compensation
Kien Tran	Officer	Indirect	\$26,786	\$89,457	Key management compensation
Ken MacLean	Director and Officer	Indirect	\$26,786	\$89,747	Key management compensation

- c) On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a senior debt facility (the “Senior Debt Facility”) to refinance its three existing loan facilities with CHP a related party (see “Senior Debt Facility”). During the nine months ended May 31, 2023, the company paid a total of \$48,618 (2022 -\$206,677) in interest expenses relating to the Senior Debt Facility. On October 28, 2022, the Company repaid CHP, a related party, an amount of \$1,100,000 CAD.

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers and are included in the amounts described above. All related party transactions are in the normal course of operations and have been recorded at the fair values on the date they occur.

CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 Certificate of Disclosure in Issuers’ Annual and Interim Filings, the Interim Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim condensed consolidated financial statements and the accompanying Interim MD&A for the three and nine months ended May 31, 2023 and 2022.

CRYPTOCURRENCY AND CYBERSECURITY RISKS

Digital Asset Pricing Risk

Bitcoin pricing is affected by numerous factors including international supply and demand, interest rates, inflation or deflation, and global political and economic conditions. The profitability of the Company is directly related to the current and future pricing of Bitcoin. A decline in the market price of Bitcoin could have a negative impact on the Company’s future operations and financial results. In addition, a lack of market liquidity could limit the Company’s ability to sell Bitcoin on a timely basis and at acceptable pricing levels.

Risk of Security Breaches

Breaches in network security, computer malfeasance and hacking are continuing concerns in the Bitcoin Exchange markets. Typically, security breaches result in unauthorized access, from internal or external sources, to information, systems, and control, to cause intentional damage and disruption of data transactions, hardware and related technologies which could result in unquantifiable loss to the Company’s business operations and loss of assets.

Technology Security

Constantly changing technology used in the Bitcoin Network, Bitcoin mining and Blockchain Networks continually introduces opportunities for malicious actors to breach security protocols and potentially damage, steal or control Company assets.

Bitcoin Halving Risk

Bitcoin halving, which occurs every four years, is an event that triggers a 50% reduction in the Bitcoin revenue earned by the Bitcoin miners for every transaction verified by the miner. The reward, currently 6.25 Bitcoin per block, will halve again in 2024. Each halving event has historically resulted in a reduction in network difficulty rates that have corresponded to the reduction in the reward. This, however, cannot be assured or even forecast, and as such, represents a risk to the profitability of Bitcoin mining and the Company’s ability to continue as a going concern.

Bitcoin Pricing Volatility Risk

The wide fluctuation of Bitcoin pricing creates a risk to the earnings capability and Bitcoin asset valuations that could be material to the results of operations and financial position of the Company.

Bitcoin Market Adoption

Currently, there is relatively small use of Bitcoin in the retail and commercial marketplace in comparison to the relatively larger use by speculators and investors. This uneven growth will contribute to volatility in pricing and could adversely affect an investment in the Company's shares. Further, if fees increase for recording transactions on the Bitcoin Blockchain, demand for Bitcoin may be reduced and contribute to slowing growth of the Bitcoin Network to retail and commercial enterprises resulting in market limitations and associated Bitcoin demand and valuation challenges.

Continuity of Power Supply

Bitcoin mining consumes large amounts of electrical power and as such, the Company is dependent on NTUA for the continual supply of power at rates that make Bitcoin mining operations efficient and profitable. Disruption in the power supply will have immediate financial consequences to the Company, and if prolonged, result in material losses in Bitcoin earnings, and additional expenses that may be incurred to replace or rectify the power supply.

The current Power Supply Agreement (PSA) with NTUA expired on December 31, 2022. The Company has not renewed the PSA with NTUA due to uneconomic power costs quoted for the renewal contract and disposition of the mining equipment.

Bitcoin Miner Obsolescence and Replacement

Technical advances in the efficiency of Bitcoin miners are being made on a continual basis and periodic introductions of new advanced miners can quickly obsolete the Company's existing miners in terms of efficiency and performance, relative to other industry Bitcoin miners. This could result in a reduction in Bitcoin rewards earned and ultimate profitability. Replacement of obsolete miners, or replacement of defective machines, cannot be assured due to competitive market conditions and uncertain pricing.

OTHER RISKS AND UNCERTAINTIES

Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk by placing its cash balances at a recognized Canadian and US financial institutions.

Digital assets are held in the custody of Anchorage Digital Bank NA, a US federal chartered digital asset bank and registered custodian. The Company does not self-custody any of its Bitcoin assets.

Liquidity and Solvency risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. The Company has limited cash resources and is actively seeking opportunities to restructure and refinance its business. The inability to achieve these objectives on a timely basis will result in the Company becoming insolvent.

Profits to Date

The Company has three quarters of profitability since its incorporation and has no prospect of profitability unless the Company can restructure its business and /or obtain additional financing.

Additional Requirements for Capital

Substantial additional financing is required if the Company is to successfully continue to develop and scale its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Regulatory Risks

Changes in or more aggressive enforcement of laws and regulations could adversely impact the Company's business. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the Company's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Regulatory agencies could shut down or restrict the use of Bitcoin and the mining of Bitcoin. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the authorities.

Litigation

The Company may become involved in litigation that may materially adversely affect either company or both companies. From time to time in the ordinary course of the Company's business, it may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results, or financial condition.

Conflicts of interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, and other than disclosed herein and in the Company's annual audited financial statements, there are no known existing or potential conflicts of interest between the Company and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and equivalents) that are denominated in a currency other than United States dollars, the functional currency of the Company. Management does not hedge its foreign currency risk exposures.

Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.